SAGAR CEMENTS LIMITED

Investor / Analyst Presentation

Q1FY2014

Industry Overview – South, West India

Majority of demand in the South is from Housing Sector

Cement demand continues to remain poor in the West due to onset of monsoon and higher supply pressure from the Southern region

Capacity utilizations in the South are expected to stay low at 55 - 60% due to capacity additions already in progress

New capacity additions continue to be a constraint due to rising costs of setting up new capacities

Perspective on Cement Prices

West	South
▪ Cement prices increased by ~Rs. 10-15/bag ▪ Prices in Mumbai increased marginally by Rs.5/bag while prices in Pune increased by Rs. 50/bag ▪ Average prices in the region stood at Rs. 306/bag in June 2013	▪ Prices have risen by ~Rs. 25-30/bag ▪ Prices in Hyderabad rose by Rs. 85/bag and stood at Rs. 300/bag crossing Rs. 280 levels after more than a year ▪ Average prices was in the Southern markets were Rs. 311/bag

Demand Environment

- With monsoon setting in early and weak demand scenario continuing, prices are expected to correct
- Q1FY14 Sales for Sagar have decreased by 39,205 tonnes from Q1FY13 level
- Total demand in AP is around 15 to 18 lakh tonnes/month
- South is still witnessing an oversupply situation

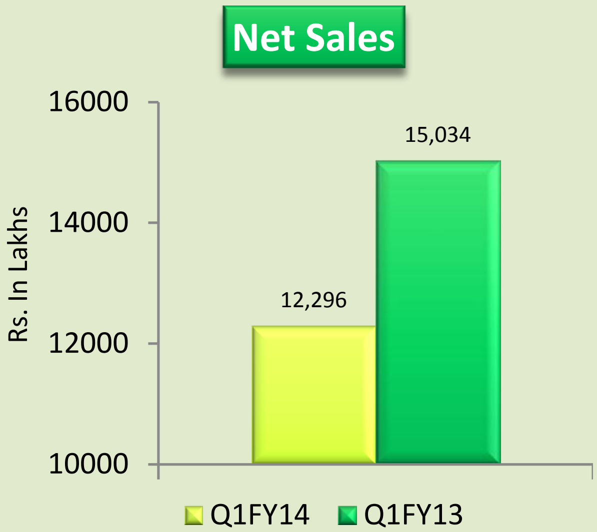
SAGAR CEMENTS - PERSPECTIVES

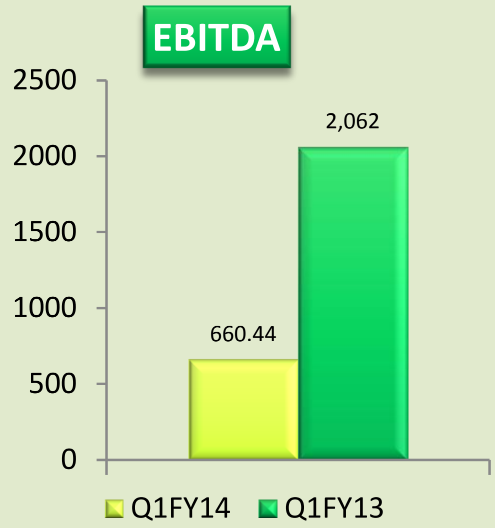
Highlights

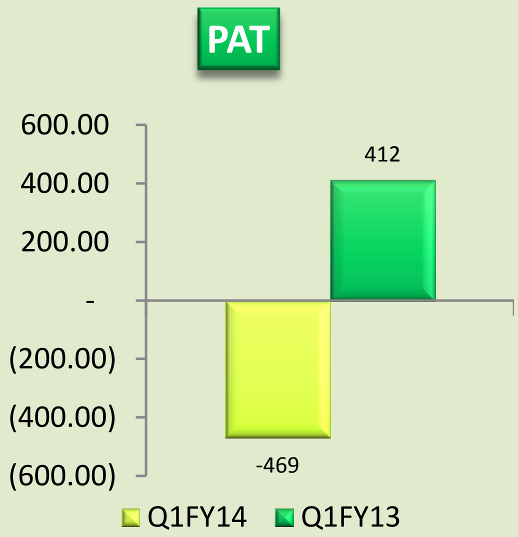
Performance Highlights (Q1FY14)

- Q1FY2014 Net sales decreased by 18.21% to ₹ 12,296 lakh
- EBITDA decreased by 67.99% to ₹ 660 lakh
- EBITDA margins at 5.27%
- PAT at ₹ (469) lakh
- Plant operating at around 53% capacity

Q1FY2014 Performance Review







- Net Sales decreased by 18.21% to ₹ 12,296 lakh from ₹ 15,034 lakhs in Q1FY13
- EBITDA decreased by 67.99% to ₹ 660 lakh from ₹ 2,062 lakh in Q1FY13. Operating margins for the quarter at 5.27%
- Net Profit stood at ₹ (469) lakh compared to ₹ 412 lakh on a corresponding quarter basis
- EPS (not annualized) at ₹ (2.70) for Q1FY2014

Executive Director's Comment

Commenting on the performance, Mr. Sreekanth Reddy, Executive Director of the Company said,

"The first quarter of the new financial year has been challenging for cement companies in the South. Although cement prices have witnessed a significant improvement, an over supply situation still exists. There is however, some respite in the overall demand situation arising from the housing sector.

We at Sagar are confident that despite a difficult macro environment, we will still be able to operate efficiently. Our coal mix has shifted more towards domestic coal this quarter as we have been able to source a reasonable amount of Singareni coal. We are on track with the completion of our railway line which will lead to better efficiencies on completion. We are also well diversified as almost half of our dispatches are outside the home state of AP.

Vicat- Sagar has also been progressing well as both production and sales have ramped up and we are hopeful of steady growth in the JV this financial year.

We are happy with our ongoing efforts and with a robust Balance Sheet, dedicated team and operational efficiencies, we look forward to an improved performance in the near term."

Realisation & Utilisation

Matampally Plant

Gross Realisations (Rs/Tonne.)				
	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Overall Average	4,668	4,560	4,628	4,665
AP	5,007	4,996	5,174	5,165
OAP	4,164	4,085	4,027	4,148
	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Overall Average	4,865	4,678	4,476	4,230
AP	5,097	4,762	4,685	4,343
OAP	4,619	4,602	4,261	4,099
	Q1FY14			
Overall Average	4,429			
AP	4.554			
OAP	4,298			

Utilisation (%)				
	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Cement	61	60	56	64
Clinker	59	68	89	48
	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Cement	60	54	54	68
Clinker	59	65	60	67
	Q1FY14			
Cement	53			
Clinker	68			

Coal Prices

Availability of Coal

Q1FY13

- Singareni coal : Good availability.
- Indonesian coal: 46% of coal used with high moisture content
- South African coal: 19% of coal was used High usage accompanied by high costs

Q2FY13

- Singareni coal: Significant amount sourced.
- Indonesian coal: 42% of coal used with high moisture content
- South African coal: 12% of coal was used

Q3FY13

- Singareni coal: Large quantity sourced.
- Domestic : International coal mix was 45%:55% compared to 34%:66% in the corresponding quarter in the previous year.

Q4FY13

- Domestic : International coal mix was 55%:45%
- Singareni Coal: Reasonable quantity sourced

Q1FY14

- Domestic : International coal mix was 60%:40%
- Singareni Coal: Reasonable quantity sourced

Coal Cost (Rs/Tonne.)

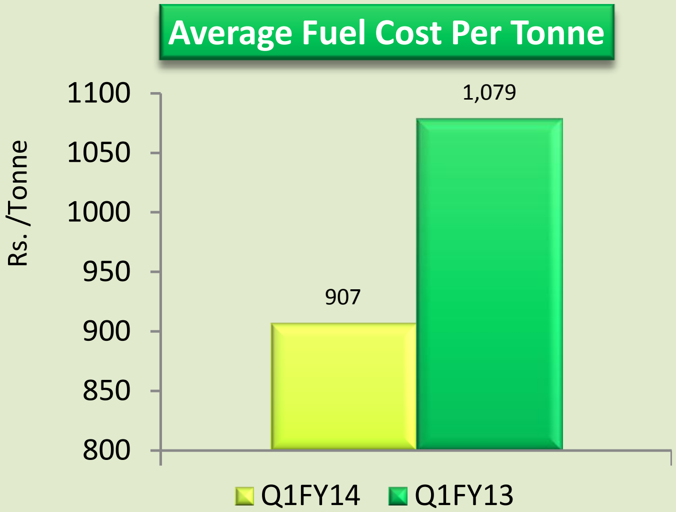
	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Indian Average	3,638	3,689	3,811	3,633
Imported Coal Average	3,851	4,359	5,067	5,496
	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Indian Average	3,849	3,908	4,613	4,558
Imported Coal Average	5,350	5,022	4,967	4,498
	Q1FY14			
Indian Average	4618			
Imported Coal Average	4273			

Operations Overview

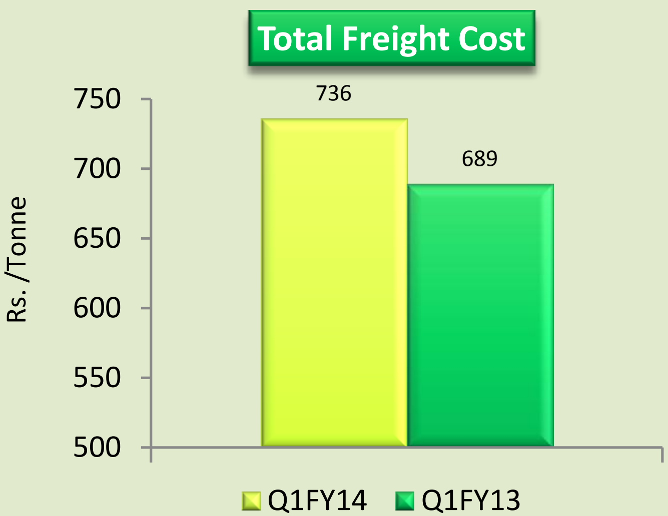
Production (MT)	April	May	June	Total
Clinker	152,360	158,900	54,220	365,480
Cement	124,150	117,880	117,184	359,214

Description	Sales ('000'MT)		Value Rs. Lakh (net of excise & Vat)	Net Realization Rs. Mt
Q1FY2014	Cement	360	12,296	3,415
Q1FY2013	Cement	399	15,034	3,768
% Shift	Cement	(10%)	(18%)	(9%)

Cost Overview

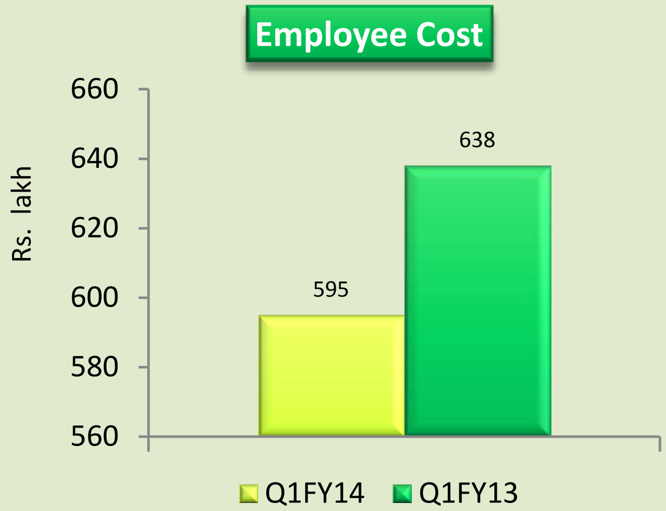


- More domestic coal used during the quarter
- Average fuel cost per tonne of clinker production during the quarter at ₹ 907 as compared to ₹ 1,079 per tonne in the corresponding quarter in previous year

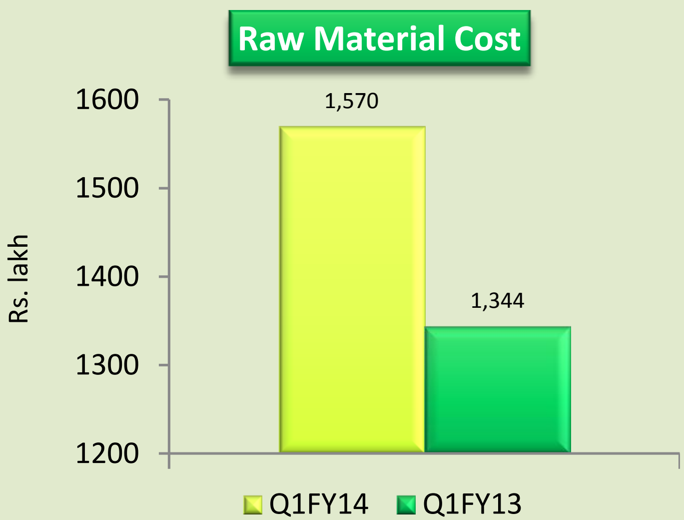


- Higher diesel prices prevailing during the quarter
- Total freight cost per tonne of cement for the quarter stood at ₹ 736 as compared to ₹ 689 in the previous corresponding quarter

Cost Overview



- The reduction in Employee costs is mainly on account of restricted remuneration to the whole time directors of the company due to insufficient profits for the quarter.

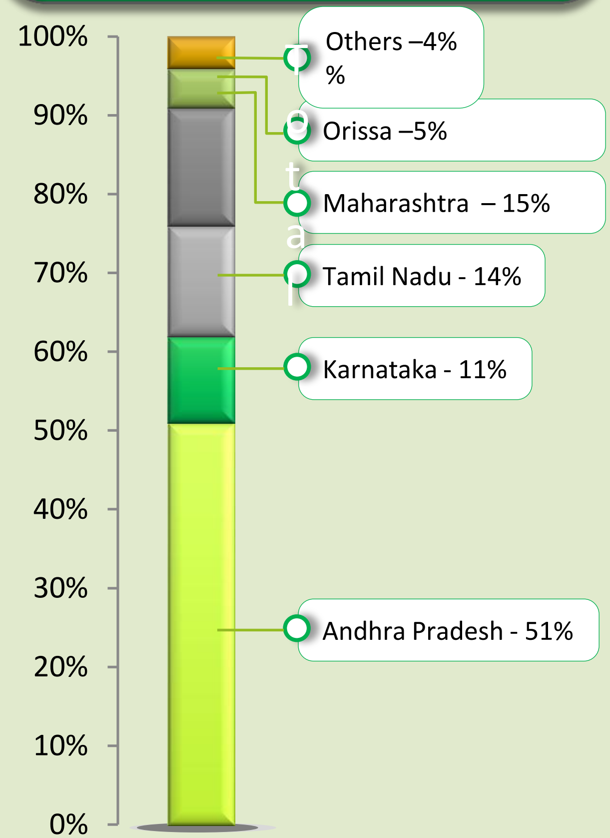


- Increase in raw material costs is in proportionate to increase in clinker production.

Plant Highlights

- During Q1 FY14, the plant operated at reasonable utilization levels
- 365,480 tons of clinker and 359,214 tons of cement were produced
- Utilization levels for clinker : 68%
- Approximately 49% of cement dispatches was to various markets outside the home state (Andhra Pradesh)

Sales (359,760 MT)



Dispatches in Q1FY14 vs Q1FY13

	Q1 FY 2014		Q1 FY 2013	
Markets	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh	184,976	51.42	205,317	51.46
Karnataka	39,910	11.09	59,912	15.01
Tamil Nadu	49,073	13.64	55,083	13.81
Maharashtra	54,504	15.15	45,315	11.36
Orissa	17,547	4.88	15,431	3.87
Others	13,750	3.82	17,907	4.49
Total	**359,760**	**100.00**	**398,965**	**100.00**

Dispatches by Road & Rake

DISPATCH DETAILS					
TPT	**Q1FY13**	**Q2FY13**	**Q3FY13**	**Q4 FY13**	**TOTAL**
BY ROAD	391,173	366,627	350,200	441,557	**1,549,557**
BY RAKE	13,226	5,050	2,669	18,504	**39,449**
TOTAL	**404,399**	**371,677**	**352,869**	**460,061**	**1,589,006**
TPT	**Q1FY14**				
BY ROAD	**360,863**				
BY RAKE	**-**				
TOTAL	**360,863**				

New Railway Line

- Total Investment for new railway line – ₹ 120 crore
- Completion of the new railway line will lead to better efficiencies and savings in costs
- once operational Dispatches by rail expected to go up by 20%
- Project Completion - FY2015

Key Balance Sheet Items

- Gross debt as on 30th June, 2013 stood at ₹ 20,452 lakh out of which ₹ 13,624 lakh is long term debt with the remaining constituting working capital
- The Net Worth of the Company as on 30th June, 2013 was ₹ 26,176 lakh
- Cash & Bank Balances held by the company at the Balance Sheet date was ₹ 374 lakh
- Investments stood at ₹ 8,603 lakhs
- Debt : Equity Ratio as on June 30, 2013 stood at 0.52 : 1.

Vicat Sagar JV

1st Phase	
Capacity	2.75 million tonnes
Project Cost	₹ 1,680 crore
Capital Contribution	₹ 500 crore
Sagar Contribution	₹ 86 crore
Equity Stake	47%
Clinkerization	Completed December 2012
Commencement of production	January 16th 2013
Q1FY14 Production	~240,015 tonnes
Q1FY14 Sales	~ 224,919 tonnes

Sales Outside AP

Last 3 years cement sales OAP

				Q1FY14
OAP Sales				49%
	Q4FY13	**Q3FY13**	**Q2FY13**	**Q1FY13**
OAP Sales	46%	49%	52%	48%
	Q4FY12	**Q3FY12**	**Q2FY12**	**Q1FY12**
OAP Sales	49%	48%	48%	40%
	Q4FY11	**Q3FY11**	**Q2FY11**	**Q1FY11**
OAP Sales	34%	30%	20%	23%

Sales in regions OAP have increased over the last 2 years

Outlook and Capex Plans

- Demand growth in the South arising is from Housing Sector. Some respite in demand expected due to upcoming elections, which should fasten approvals for infrastructure projects
- Prices in the South are expected to correct with the onset of monsoons and muted demand arising out of an oversupply situation
- Vicat Sagar cement production levels currently at 240,015 tonnes for the quarter June 30, 2013. Production expected to ramp up for the remainder of the year
- Domestic coal availability has increased in Q1FY2014, providing some relief to overall costs
- Capex incurred during the quarter for railway line to the tune of around ₹ 3 crore
Additional capex to be incurred by the Company in FY2014 to the range of ₹ 25 crore

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